



# MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis  
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

## August 2003 Summary

**U.S. Economy:** August economic indicators were mixed. Consumer sentiment remained essentially flat for the third straight month. The Conference Board's index of leading economic indicators rose for the fourth straight month, but only four of the indicator's ten components contributed to August's increase. The ECRI weekly leading index posted strong, though slower, growth. After rising in July, industrial production and capacity utilization were essentially flat. After two months of strong growth, durable goods orders fell. Industrial production and capacity utilization remain well below year ago levels. New and existing home sales remained strong. Mortgage refinancing is well below recent record levels. Initial unemployment claims trended upward slightly throughout the month. For the second straight month, ISM indices signaled a slight expansion in the manufacturing sector and substantial growth in the services sector. Retail sales rose for the fourth straight month.

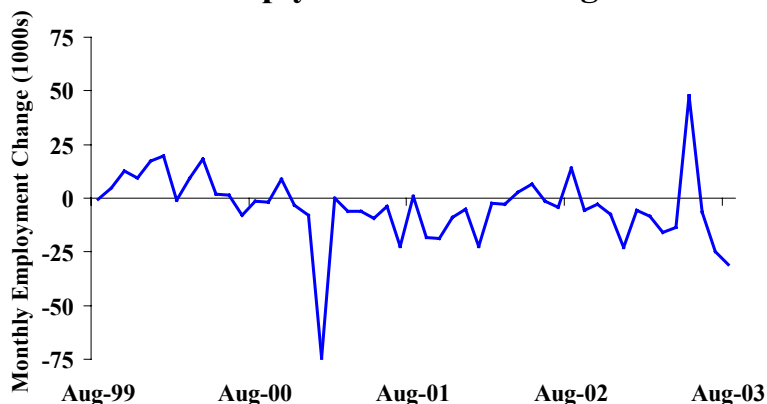
**Employment:** Michigan payroll employment fell sharply for the second straight month. The state's unemployment rate remained unchanged at 7.4 percent. Nationally, payroll employment fell by 93,000 jobs. The national unemployment rate fell 0.1 of a percentage point to 6.1 percent.

**Auto Industry:** Light vehicle sales rose sharply to an 18.9 million unit rate, their highest level since October 2001. Vehicle sales were up 1.5 percent from a year ago and up 9.6 percent from July. Domestic sales matched strong sales from a year ago.

**Inflation:** Compared to a year ago, overall consumer prices rose 2.2 percent; excluding food and energy prices, "core" consumer prices rose 1.3 percent. Overall producer prices were up 3.4 percent from a year ago but core producer prices were up only 0.4 percent.

**Michigan Metro Areas:** From a year ago, the July unemployment rate rose in all twelve major labor areas. Eight of the state's nine MSAs reported rate increases of 1.0 percentage point or more. Seasonally unadjusted unemployment rates ranged between 4.7 percent and 11.9 percent.

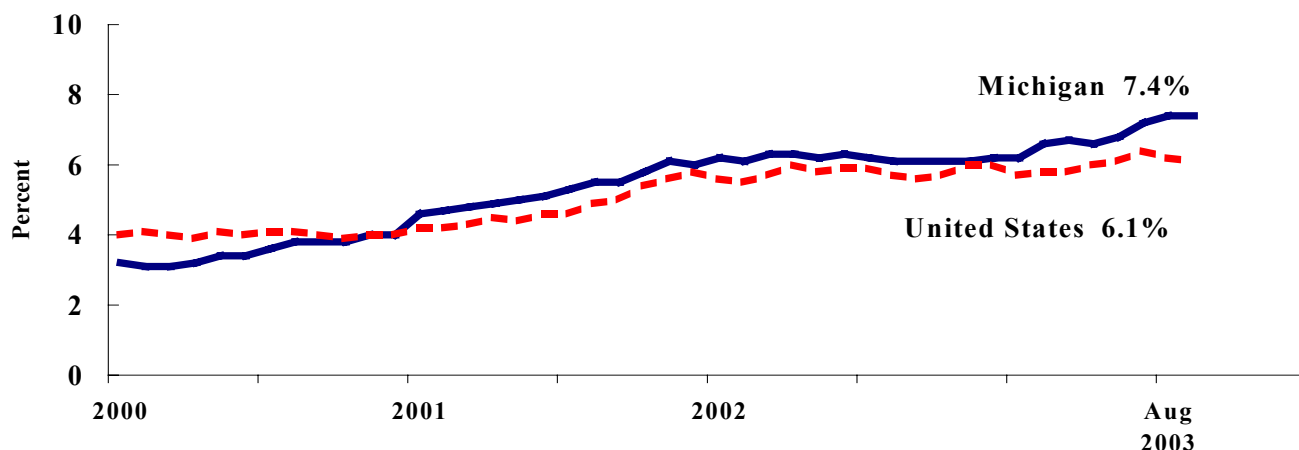
**Michigan Employment  
Declines Sharply for Second Straight Month <sup>(b)</sup>**



## Labor Market Statistics

- Michigan's August monthly unemployment rate remained unchanged at 7.4 percent. The current Michigan jobless rate is 1.3 percentage points above a year ago. The August U.S. unemployment rate decreased 0.1 of a percentage point from last month to 6.1 percent but was 0.3 of a percentage point above a year ago. Monthly unemployment rates fluctuate due to statistical sampling errors and data revisions.

### Michigan and U.S. Monthly Unemployment Rates 2000 to 2003



Source: Michigan Dept. of Career Development and Bureau of Labor Statistics, U.S. Dept. of Labor

- The number of people employed in Michigan was 4,722,000 in August, down 31,000 from last month, while the labor force declined 33,000 in August. The statewide total number of unemployed declined to 376,000.
- United States household employment totaled 137.6 million persons in August, up 147,000 from July. The labor force decreased by 10,000 from last month, which meant that there were 157,000 fewer unemployed people nationally compared to July 2003.

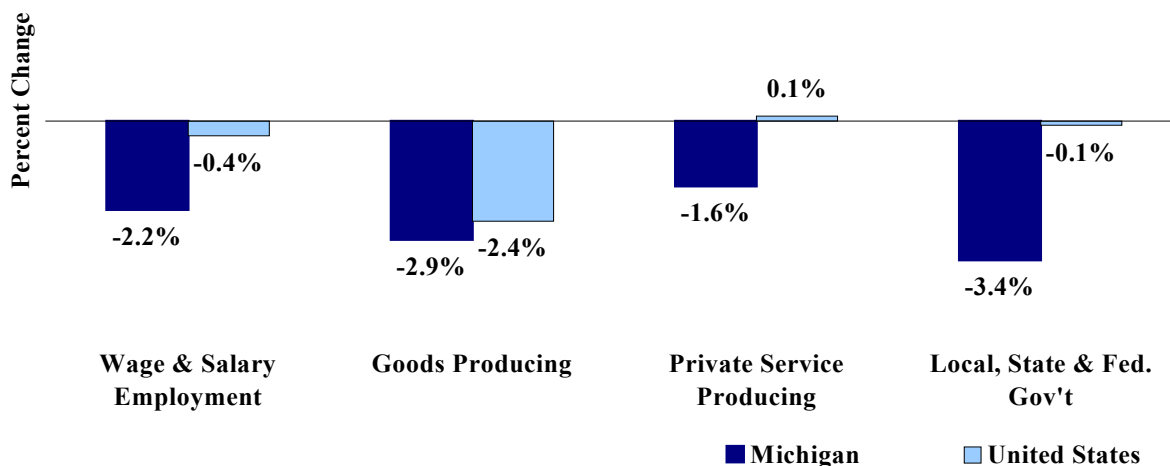
### Employment by Place of Residence (in thousands)<sup>(a)</sup>

	2002 Average	Jun 2003	Jul 2003	Aug 2003	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	5,001	5,130	5,130	5,097	-33	-0.6%	n.a.	n.a.
Employed	4,691	4,760	4,753	4,722	-31	-0.7%	n.a.	n.a.
Unemployed	310	370	378	376	-2	-0.5%	n.a.	n.a.
Unemployment Rate	6.2%	7.2%	7.4%	7.4%	n.a.	0.0% pts	n.a.	1.3% pts
United States								
Labor Force	144,875	147,096	146,540	146,530	-10	0.0%	n.a.	n.a.
Employed	136,486	137,738	137,478	137,625	147	0.1%	n.a.	n.a.
Unemployed	8,389	9,358	9,062	8,905	-157	-1.7%	n.a.	n.a.
Unemployment Rate	5.8%	6.4%	6.2%	6.1%	n.a.	-0.1% pts	n.a.	0.3% pts

## Employment by Place of Work

- From August 2002 to August 2003, Michigan wage and salary employment declined 97,000 (2.2 percent). State wage and salary employment fell 31,000 from July. Nationally, August 2003 wage and salary employment fell 463,000 (0.4 percent) from a year ago, and was down 93,000 from July 2003.

### Wage and Salary Employment Growth August 2002 to August 2003



Source: Bureau of Labor Statistics, Michigan Dept. of Career Development

- In the goods producing sector and private service-producing sector, August employment fell 2.9 percent and 1.6 percent, respectively, from a year ago in Michigan. From a year ago, August national employment in the goods-producing sector fell 2.4 percent but rose 0.1 percent in the private service-producing sector.
- Manufacturing weekly hours dropped sharply in Michigan by 4.1 hours compared to last year.

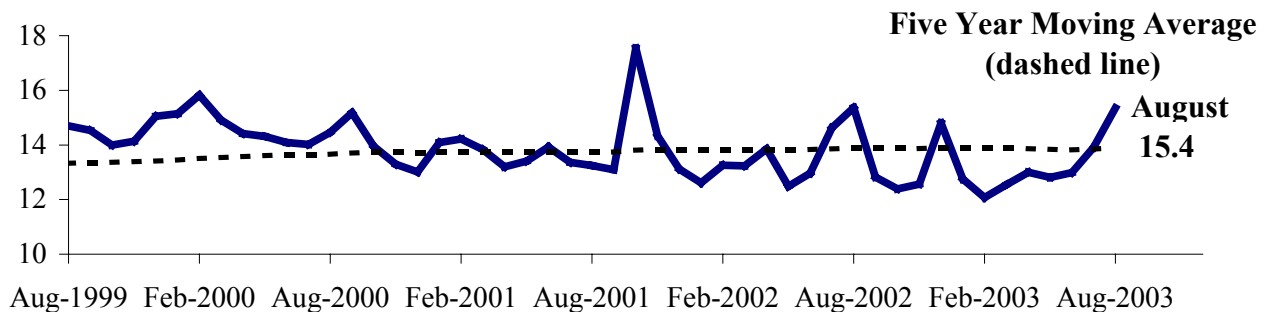
### Establishment Employment (in thousands)<sup>(b)</sup>

	Michigan				United States			
	2002 Average	Aug 2002	Aug 2003	Percent Change	2002 Average	Aug 2002	Aug 2003	Percent Change
Wage & Salary Employment	4,476	4,490	4,393	-2.2%	130,376	130,224	129,761	-0.4%
Goods Producing	969	967	939	-2.9%	22,619	22,527	21,977	-2.4%
Manufacturing	759	755	732	-3.0%	15,306	15,233	14,589	-4.2%
Private Service Producing	2,824	2,844	2,799	-1.6%	86,267	86,218	86,327	0.1%
Trade, Trans. & Utilities	837	840	828	-1.4%	25,493	25,321	25,183	-0.5%
Services	1,696	1,714	1,677	-2.2%	49,511	49,529	49,911	0.8%
Local, State & Fed. Gov't	685	679	656	-3.4%	21,489	21,479	21,457	-0.1%
Manufacturing Weekly Hours	na	42.8	38.7	-4.1 hrs	40.5	40.5	40.1	-0.4 hrs

## Motor Vehicle Industry Sales

- Light vehicle sales rose 9.6 percent from July to 18.9 million, the highest level since October 2001. Car sales were up 5.7 percent and light truck sales were up 12.9 percent from July. Domestic sales rose 10.4 percent while foreign sales were up 6.2 percent. Generous incentive packages continued to help vehicle sales, as did small business truck purchase tax write-offs.
- Compared to a year ago, auto sales fell 5.5 percent while light truck sales rose 7.7 percent. Overall domestic light vehicle sales fell slightly from August 2002 while imported light vehicle sales rose 9.0 percent. Heavy truck sales were up slightly both from July and from a year ago.
- Through the first eight months of the year, the foreign car share was up slightly while the foreign light truck share was up 1.8 percentage points. Overall, foreign sales share was up 0.8 of a percentage point to 20.3 percent.

### Domestic Sales Rise Sharply Well Above 5-Year Average<sup>(c)</sup>



## Motor Vehicle Sales Statistics

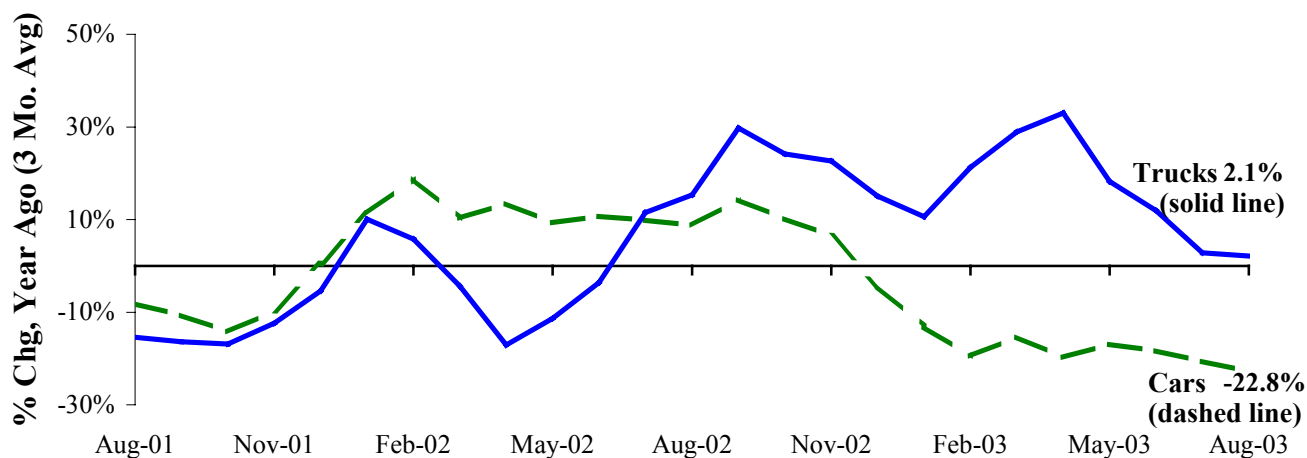
(Millions, unless otherwise specified)

Motor Vehicle Sales <sup>(c)</sup>	2002 Average	Jun 2003	Jul 2003	Aug 2003	3 Month Average	Change from Year Ago	
						Level	%
Autos	8.1	7.6	7.8	8.2	7.9	(0.5)	-5.5%
Domestics	5.9	5.5	5.8	6.1	5.8	(0.5)	-7.1%
Imports	2.2	2.0	2.0	2.2	2.1	(0.0)	-0.9%
Import Share	27.6%	27.0%	25.8%	26.1%	26.3%	1.2% pts	
Light Trucks	8.6	8.8	9.4	10.6	9.6	0.8	7.7%
Domestics	7.6	7.5	8.1	9.3	8.3	0.5	5.1%
Imports	1.1	1.3	1.3	1.4	1.3	0.3	29.6%
Import Share	12.3%	14.7%	13.7%	12.7%	13.6%	2.2% pts	
Total Light Vehicles	16.7	16.3	17.2	18.9	17.5	0.3	1.5%
Heavy Trucks	0.4	0.4	0.4	0.4	0.4	0.0	0.5%
Total Vehicles	17.1	16.7	17.6	19.3	17.9	0.3	1.5%
U.S. Light Vehicle Inventories <sup>(d)</sup>		Jun-03	Jul-03	Aug-03	3 Month	Change	
Total Car	1.479	1.606	1.428	1.326	1.453	0.066	
Days Supply	57	56	55	48	53	5 days	
Total Truck	1.769	2.282	2.009	1.894	2.062	0.315	
Days Supply	64	70	63	57	63	6 days	

## Motor Vehicle Industry Production

- At 224,490 units, August Michigan light vehicle production fell 13.8 percent from a year ago. Nationally, production fell 11.4 percent from a year ago. Following the traditional model changeover and vacation season, both state and national production were up substantially compared with July.
- Compared with a year ago, state car production fell 23.2 percent while state truck production was up slightly. Nationally, car production fell 17.3 percent while truck production was down 7.6 percent.
- Production varies substantially from month to month. Therefore, a three-month average may provide a clearer indication of vehicle production patterns. The Michigan three-month average was down 13.2 percent from a year ago, compared with a 7.6 percent decline nationally. The state car production average was down 22.8 percent while the truck average rose 2.1 percent. Through the eight months of the year, state vehicle production is down 7.4 percent while national production is down 3.8 percent.

### Michigan Car Production Down Sharply from a Year Ago



### Michigan Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2002 Average	Jun 2003	Jul 2003	Aug 2003	3 Month Average	Change from Year Ago	
U.S. Production <sup>(e)</sup>						Level	%
Autos	419.1	389.0	267.1	358.7	338.3	(75.1)	-17.3%
Trucks	605.1	632.3	432.3	618.2	560.9	(50.6)	-7.6%
Total	1,024.2	1,021.3	699.5	976.9	899.2	(125.7)	-11.4%
Michigan Production <sup>(f)</sup>							
Autos	149.4	138.4	73.7	121.4	111.2	(36.7)	-23.2%
Trucks	91.7	110.9	62.4	103.1	92.1	0.9	0.9%
Total	241.0	249.3	136.1	224.5	203.3	(35.8)	-13.8%
Michigan as % of U.S.	23.5%	24.4%	19.5%	23.0%	22.6%	-0.6% pts	

## July 2003 Unemployment Rate Rose in All Areas (Not Seasonally Adjusted)

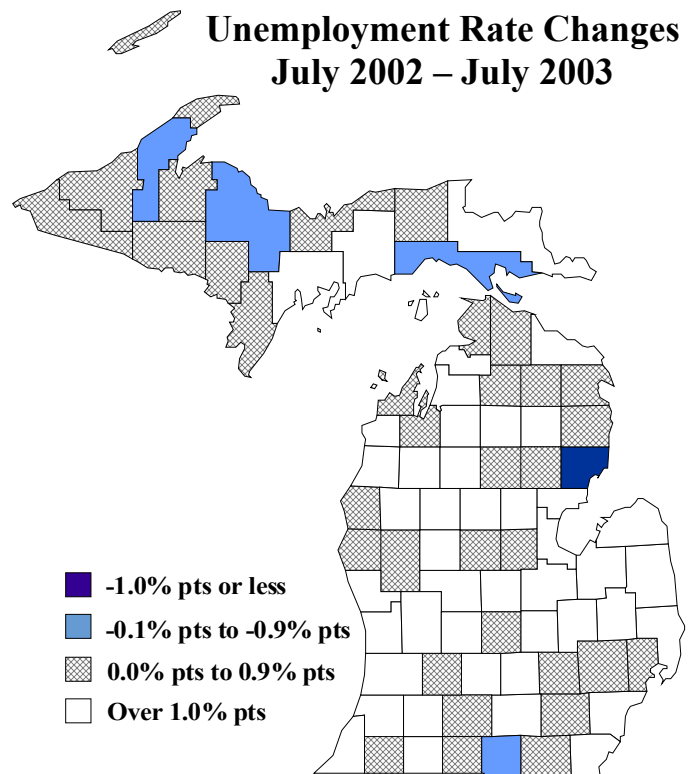
Compared to a year ago, July 2003 unemployment rates rose in all twelve major labor market areas. The median unemployment rate increase was 1.2 percentage points. Eight of Michigan's nine MSAs reported unemployment rate increases of 1.0 percentage point or more.

The Saginaw MSA and Flint MSA reported the largest increases from a year ago with 2.1 percentage points and 2.0 percentage points increases, respectively. Jackson MSA reported the third largest increase from a year ago with a 1.6 percentage points increase.

July 2003 unemployment rates ranged between 4.7 percent (Ann Arbor) and 11.9 percent (Flint). Two areas reported an unemployment rate below 6.0 percent: Ann Arbor and Lansing. Compared to June's unemployment rates, all nine MSAs reported unemployment rate increases. The Upper Peninsula reported a sizeable seasonal unemployment rate decline.

### Local Area Unemployment Rates<sup>(g)</sup>

<u>Local Area</u>	<u>Jul 2002 Rate</u>	<u>Jul 2003 Rate</u>	<u>Latest 3 Month Average</u>
Michigan	6.8%	8.0%	7.3%
Ann Arbor MSA	4.4%	4.7%	4.1%
Benton Harbor MSA	6.8%	8.3%	7.3%
Detroit PMSA	7.1%	8.2%	7.5%
Flint MSA	9.9%	11.9%	10.1%
GR-Musk-Holl MSA	7.1%	8.5%	7.8%
Jackson MSA	7.0%	8.6%	7.9%
Kal-Battle Creek MSA	6.0%	7.1%	6.4%
Lansing MSA	4.3%	5.5%	4.8%
Sag-Bay-Midland MSA	6.7%	8.8%	8.1%
Upper Peninsula	5.9%	6.2%	6.9%
Northeast Lower Mich	7.9%	8.3%	8.4%
Northwest Lower Mich.	6.0%	7.2%	7.0%



Compared to July 2002, unemployment rates rose in 78 counties and fell in 5 counties. Forty-four counties reported increases of 1.0 percentage point or more.

Among Michigan's 83 counties, 21 counties reported a July unemployment rate of 10.0 percent or higher. Eight counties recorded an unemployment rate of 5.0 percent or less.

Note: Due to major methodological changes beginning in January 2003, household employment and unemployment data are not comparable to earlier months.

Source: Michigan Department of Career Development.

## U.S. Economic Conditions

	<u>May-03</u>	<u>Jun-03</u>	<u>Jul-03</u>	<u>Aug-03</u>	<u>Change from Year Ago</u>
<b>KEY ECONOMIC INDICATORS</b>					
Consumer Sentiment <sup>(h)</sup>	92.1	89.7	90.9	89.3	1.7 points
ISM Manufacturing Index <sup>(i)</sup>	49.4	49.8	51.8	54.7	4.4 points
ISM Non Manufacturing Index <sup>(i)</sup>	54.5	60.6	65.1	65.1	13.2 points
	<u>2002.3</u>	<u>2002.4</u>	<u>2003.1</u>	<u>2003.2</u>	
Business Executives' Confidence <sup>(i)</sup>	54.0	58.0	53.0	60.0	-1.0 point
<b>INFLATION <sup>(k)</sup></b>					
<b>1982-84 = 100</b>	<u>May-03</u>	<u>Jun-03</u>	<u>Jul-03</u>	<u>Aug-03</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	183.5	183.7	183.9	184.6	2.2%
Detroit CPI	NA	182.8	NA	183.6	1.5%
U.S. Producer Price Index	142.1	143.1	143.0	143.5	3.4%
<b>INTEREST RATES</b>					
90 Day T-Bill <sup>(l)</sup>	1.08%	0.95%	0.90%	0.96%	-0.67% points
Aaa Corporate Bonds <sup>(m)</sup>	5.22%	4.97%	5.49%	5.88%	-0.49% points
<b>INDUSTRIAL PRODUCTION <sup>(m)</sup></b>					
	109.5	109.3	110.1	110.2	-1.0%
<b>CAPACITY UTILIZATION <sup>(m)</sup></b>					
	74.3%	74.1%	74.6%	74.6%	-1.6% points
<b>RETAIL SALES <sup>(n)</sup></b>					
	\$310.2	\$313.1	\$317.2	\$319.2	5.4%
<b>HOUSING STARTS and SALES</b>					
(Millions Annual Rate)	<u>May-03</u>	<u>Jun-03</u>	<u>Jul-03</u>	<u>Aug-03</u>	<u>% Change From Year Ago</u>
Housing Starts <sup>(o)</sup>	1.745	1.844	1.892	1.820	11.7%
Existing Home Sales <sup>(p)</sup>	5.850	5.830	6.130	6.470	21.8%
<b>DURABLE GOODS ORDERS <sup>(q)</sup></b>					
	\$168.0	\$172.2	\$174.9	\$173.3	-1.9%
<b>PERSONAL INCOME <sup>(c)</sup></b>					
(Billions of Dollars)	<u>2002.2</u>	<u>2002.3</u>	<u>2002.4</u>	<u>2003.1</u>	<u>% Change From Year Ago</u>
Michigan	\$304.9	\$306.7	\$307.4	\$309.7	4.7%
U.S.	\$8,881.7	\$8,927.6	\$8,982.8	\$9,066.7	3.4%
<b>GROSS DOMESTIC PRODUCT</b>					
(Billions of Chained 1996 Dollars) <sup>(c)</sup>	<u>2002.3</u>	<u>2002.4</u>	<u>2003.1</u>	<u>2003.2</u>	<u>Annualized % Chg From Last Qtr</u>
	\$9,485.6	\$9,518.2	\$9,552.0	\$9,629.4	3.3%

**SOURCES AND NOTES:**

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Dept. of Career Development, Employment Service Agency.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Ward's Automotive Reports.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Career Development, Employment Service Agency.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) U.S. Department of Treasury. Average of weekly averages.
- (m) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 1997 equals 100.
- (n) Retail and Food Services Sales. Bureau of the Census, U.S. Department of Commerce.
- (o) Bureau of the Census, U.S. Department of Commerce.
- (p) National Association of Realtors.
- (q) New Orders Excluding Semiconductors. Bureau of the Census, U.S. Department of Commerce.